



# Department of Justice

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY



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WASHINGTON, D.C. -- Koch Industries will pay the largest civil fine ever imposed on a company under a federal environmental law to resolve claims related to more than 300 oil spills from its pipelines and oil facilities in six states, the Justice Department and the U.S. EPA announced. A settlement filed today requires Koch, the second-largest privately held company in the United States, to pay a \$30 million civil penalty, improve its leak-prevention programs, and spend \$5 million on environmental projects.

"This record civil penalty sends a clear message to those who transport hazardous materials: You cannot endanger public health or the environment," said Attorney General Janet Reno. "We will not let you foul our water and spoil our land by breaking the law."

The settlement filed in U.S. District Court in Houston resolves two lawsuits in Houston and Tulsa, Okla., which charge that Koch illegally discharged crude oil and petroleum products in Texas, Oklahoma, Kansas, Missouri, Louisiana and Alabama. The State of Texas joined the United States in suing Koch, and the \$30 million penalty will be divided equally between the Texas and the federal government.

"Today's landmark fine against Koch Industries for egregious violations of the Clean Water Act sends a strong message that those who try to profit from polluting our environment will pay the price," said EPA Administrator Carol M. Browner. "It is another sign of the Clinton-Gore Administration's strong commitment to protecting our communities from environmental threats."

Koch Industries, headquartered in Wichita, Kan., owns and operates extensive underground and above ground pipelines that transport crude oil and related products in the Midwest. Most of the spills at issue in the settlement occurred in Oklahoma, Texas and Kansas. In one case, almost 100,000 gallons of oil was spilled in Texas and caused a 12-mile oil slick on Nueces Bay and Corpus Christi Bay.

Complaints filed in 1995 and 1997 allege that Koch unlawfully allowed some 3 million gallons of crude oil and related products to leak from its pipelines into ponds, lakes, rivers and streams, or onto adjacent shorelines, from 1990 to 1997. Most of the spills were caused by corrosion of pipelines in rural areas. The governments allege that Koch could have prevented the corrosion by proper operation and maintenance.

Under the settlement, Koch must assess the condition of 2,500 miles of pipeline that it currently operates and repair any defects. The settlement also requires Koch to implement an improved leak-prevention and detection program, a maintenance and inspection program, and a training program aimed at preventing leaks from the company's pipelines. The company also must hire an independent auditor to audit Koch annually for at least three years and report to the federal government and Texas on whether the company is meeting the requirements of the settlement and applicable laws.

In addition to changing its operations, Koch also must spend a total of \$5 million on environmental projects in the states most affected by its illegal discharges:

- The company will pay \$1.5 million to buy and preserve wetlands or wildlife habitat in Kansas and Oklahoma.
- The company will spend \$1 million to conduct a pipeline safety study in Texas, Kansas and Oklahoma aimed at educating the oil and gas industry about oil spill prevention.
- The State of Texas will receive \$2.5 million from the settlement for environmental projects to be carried out under the direction of state officials. The projects will enhance water quality and improve emergency response in the Corpus Christi Bay area, where one of the largest oil spills in the case allegedly occurred.

Koch must pay \$15 million of the \$30 million penalty into the federal government's Oil Spill Liability Trust Fund, created in 1990 following the Exxon Valdez incident in Alaska. The fund helps pay for damages, cleanup costs and some operation expenses related to oil spills.

Oil spills can pose a serious threat to human health and the environment. According to the EPA, one pint of oil released into the water can spread and cover one acre of water surface area and can seriously damage an aquatic habitat. It can take years for an ecosystem to recover from damage caused by an oil spill.

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